

Case Study – Warehouse and Office

PROJECT OVERVIEW

An **engineering-based cost segregation study** was conducted for a recently purchased single story warehouse and office building. The study's objective was to identify property components that could be reclassified to shorter recovery periods in order to accelerate building depreciation and increase cash flow by deferring income taxes.

PROPERTY PROFILE

The Building	The property is a single story combination warehouse and office building containing approximately 74,911 square feet.
Cost Basis	The property has a cost basis of \$2,545,714 and was acquired and placed in service in June, 2005.

ENGINEERING PROCESS

Our construction engineers performed

- a detailed analysis inspection and itemized the improvements located on this purchased property
- a review on the buildings construction drawings to isolated the various components qualifying for shorter cost recovery period depreciation under the provisions of the Internal Revenue Code and current tax law.
- an estimate using construction estimating techniques each component is assigned a value which is adjusted for depreciation and reconciled back to the purchase price.
- a quality check where our internal audit team of senior construction engineers and tax specialists reviewed and certified its completeness and accuracy

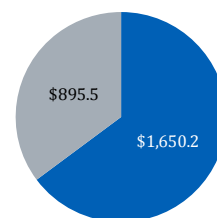
PROJECT RESULTS

As a result of this Engineering-based Cost Segregation Study the client was able to reallocate \$895,475 or 35% of the assets to shorter recovery. The client's tax savings on a present value basis were projected to be a total of \$144,655, with the first-year tax savings alone totaling \$32,184.

Initial Cost Basis



Post-Cost Segregation



In 000's ■ Base Costs ■ Reallocated Costs

Tax Savings

